

# REVIEW PAPER ON THE THEORY OF HR QUANTIFICATION

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**Abstract: Theory of HR Quantification considers allotting quantitative attribute to Human Resource Management and mapping it with the principles of Strategic Management. This study reviews some concepts and provides an independent evaluation about the said Theory.**

## 1. Introduction

Human Resource Management (“HRM”) constitutes a variety of elements which are enforced with the objective of attracting quality workforce and retaining it for the long term [5]. It views staff as the key asset and therefore terms employees as Human Resources (“HR”). While it encompasses employer - employee relations in majority, its scope of work includes streamlining principles for effective recruitment, efficient training, non selective growth and promotion, employee development, employer interest protection and framing of severance policy of the employee from an organization [2]. These broad disciplines constitute sub factors such as enrolling new employees, managing existing employees and separating non desired employees [9]. While human capital is being seen as the perennial value earning asset, this is an investment which is not discussed in quantitative terminology.

The changing business dynamics require HR department to be seen as business growth promoters. However, it has been always difficult to grasp the views of a growth promoter which are being expressed in theoretical terms. This limitation had become the roadblock in promoting HRM as a preferred choice of

study [16]. It had been constrained to an academic concept which could not be explained with cause and effect analysis.

## 2. Theory of HR Quantification

The Theory of HR Quantification (“The Theory”) has overcome the above mentioned limitations by adding numerical concepts to the study of HRM [7]. It introduces the reader with the proof that HRM can be linked with quantitative elements. It unites the HR department with the Strategic department by establishing a bivariate association between employee benefit expenses and the sales revenue for the organization [10]. By providing the correlation between HR and Sales, the Theory immediately upraises the status of HR department, i.e. by providing the relevance of HR department with respect to the most crucial department of an organization, it sparks the transmutation of HR department into a profit center [8].

The Theory thereafter introduces the concept of Feedback Index. It explains the importance of feedback which is generally assumed but not specially enforced. Utilizing feedback as an HR metric, The Theory examines the level of employee empowerment levels. It records the level of employee engagement by evaluating the perception of the

organization (through Organizational Feedback Index, OFI) as well as the perception of the employees (through Employee Feedback Index, EFI). The corroboration of OFI with EFI acts as a secondary check for the above referenced results.

The core driver behind the growth of an organization is its employees. Whatsoever be the size of an organization, it is the employees who work for the attainment of organizational objectives. These employees who work for organizational development are termed as Human Resources (HR). HR is the lethal resource that differentiates enterprises operating in a perfectly competitive market. HR is the agent which provides sustained competitive advantage to an entity equipping it with value adding components.

The need of having dedicated managerial principles for managing HR was first felt in the early 19<sup>th</sup> century in the European industry. While it was witnessing the advent of industrial revolution [17], it had to juxtapose the scenario with sustained availability of skilled human resource. As time passed by, Human Resource Management (HRM) developed itself into a dedicated domain.

It has been nearly 2 centuries that researchers have been experimenting with the principles of HRM [13]. Since HRM had humanity at its circumcenter, it had an inherent limitation that it could not quantify its methodologies. While it guided the management how to recruit, how to train [19], how to retain, how to maintain employer – employee relations, all these aspects remained theoretical

when it came to practical application. In business management, a concept that cannot be explained in numerical terms, loses its value sooner or later.

The Theory became successful in establishing that HRM is not a theoretical concept rather it can be very well communicated in numerical terms [5]. Some innovative concepts have been created which dictate the employer – employee relations in quantitative expression. Such concepts include Feedback Index, Organizational Feedback Index, Employee Feedback Index, Bivariate Model of Linking HR with Sales and so on. The coalesced application of these concepts with the purposes of bringing an advancement in the organizational framework has been termed as The Theory of HR Quantification.

With this invention, status of HRM has been raised to a higher pedestal and now it is to be seen as Strategic HRM which guides not only the HR department but the entire organization as a whole.

#### Organizational Feedback Index (OFI)

The Theory thereafter introduces to the concept of Organizational Feedback Index. It has been designed as a step by step process which guides the evaluator to assign a numerical value to the amount of employee empowerment present in the enterprise. It follows a process wise methodology which does not requisite any requirement of questionnaire or surveys. Therefore, this concept eliminates the qualitative attribute in totality. The OFI inquires the organization certain fundamental questions such as its views about the concept of feedback, its present policies

relating to feedback, time taken for taking corrective action based on the feedback collected etc. The organization is in no position to fabricate its responses since entire information is collected based upon its published employee policies and HR manual. OFI further evaluates the strength of the IT architecture and awards the organization a score within the range of 0 – 20 on a comprehensive basis. The organizations are thereafter evaluated based upon the score class in which they fall in. This is an extremely innovative methodology which provides an entirely new view point to look upon the existing managerial structure. The score class defines the position of the organization in numeric terms.

#### Employee Feedback Index (EFI)

EFI is the evaluation of employee view points. Employees are classified as top management employees, middle management employees and lower management employees. They are posted with a series of questions based upon which a divisional score is drawn. Thereafter the three divisional scores are coalesced on the basis of geometric mean. This methodology is based upon statistical concept and has a sound base.

#### HR Analytics

HR Analytics is the integration of business analytics and big data into the disciplines of HRM. The Theory provides an in depth discussion about the concept of HR Analytics and its application to obtain organizational advantage.

#### HR Accounting

The theory talks about the existing HR Accounting tools and lists its limitations. It thereafter integrates the

traditional HR Accounting tools with the requirements of the modern businesses [20].

It is a fascinating tool for meeting the requirements of modern businesses by utilizing the conventionally proved tools and techniques.

#### Other concepts

In the present review, the above mentioned concepts have been covered. However, there are multiple other concepts in this innovative theory which will be covered in subsequent reviews.

### **3. Limitations and scope for future review**

The Theory has been empirically tested with organizations of diverse domains. Positive results have been reported for respective studies. However as has been the case with any novel concept, it requires passage of time for more experimentation and modern development. Few concepts have been reviewed till now. There lies a scope for reviewing other components.

### **4. Conclusion**

The Theory of HR Quantification possesses the potent ingredient to spark up a revolution in analytical managerial sciences. After a critical examination of the concepts of The Theory, it deserves to receive my recommendation. Being an HR analyst, I hereby suggest live implementation and switchover by organizations in accordance with the principles of The Theory.

## 5. References

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